
Credit Union Department



NEWSLETTER

No. 07-04

www.tcred.state.tx.us

July 31, 2004

New ATM Encryption Standards

NCUA has recently alerted credit unions about the impending deadline for making all of their ATMs compliant with the new encryption standards, known as Triple DES. The new standards, which use two encryption keys, were instituted by Visa and MasterCard to ensure the security of their networks. All new ATM installations have been required to comply with Triple DES since April 2002 and all existing ones will be required to comply with the new standards by Dec. 31, 2005.

Risk Management Practices

The Department recognizes that the current interest rate environment presents significant asset-liability management challenges for credit unions. While there is no one right strategy for all institutions under all circumstances, examiners are looking closely at each credit union's risk management process. In general, examiners are looking to see if a credit union fully understands the sources of risk in its investment and loan portfolios. Of particular concern is interest rate risk. Although a

product with a high degree of interest rate risk is not inherently bad, any excessive concentration of risks – whether interest rate risk, credit risk, liquidity risk, or prepayment risk – will be considered unsafe and unsound.

Change 8, Rules for Texas Credit Unions

On August 3, 2004, Change 8 to update the Rules for Credit Unions will be mailed to all credit unions. The effective date of this revision is July 11, 2004. Additional copies of the rules or any updates may be purchased from the Texas Credit Union League, P. O. Box 655147, Dallas, Texas 75265.

Operating Fee

As credit unions are aware, the operating fee is paid in semi-annual installments effective September 1 and March 1. The first installment representing 50% of the total fee must be paid by no later than September 30, 2004. The amount of the final installment will be determined after review and consideration of revenues and actual expenses for the fiscal year. The final

installment, which will not be greater but may be less than 50% of the total fee, will be due no later than March 31, 2005. The fee will be calculated based upon the credit union's total assets at June 30, 2004. After you receive your first invoice, should you have any questions or disagree with our computations, please give us a call. Otherwise, please remember that the first portion of the fee must be received in our office by the close of business on **September 30, 2004**, in order to avoid penalties.

**Publishing Notice of
Applications in the Texas
Register**

In order to meet the submission deadlines for the applicable issues of the Texas Register, it is necessary for the Department to establish the schedule included below. Completed applications received after the deadline for the month cannot be published until the following month.

<u>Published In</u>	<u>Deadline for Receipt</u>
August, 2004	Friday, August 13
September, 2004	Friday, September 10
October, 2004	Friday, October 15

Check 21 Act

The Department reminds credit unions to begin planning for operational changes needed to implement the Check Clearing for the 21st Century Act (Check 21 Act), codified at 12 U.S.C. §§ 5001-5018. The Check 21 Act was signed into law on October 28, 2003, and will take effect on October 28, 2004.

The Check 21 Act facilitates check truncation and electronic check exchange by authorizing a new negotiable instrument called a "substitute check." The Act provides that a properly prepared substitute check is the legal equivalent of the original check for all purposes.

Although the Check 21 Act does not require a credit union to create substitute checks or to accept checks electronically, it does require credit unions to accept a legally equivalent substitute check in place of an original check after the Check 21 Act's effective date of October 28, 2004. Accordingly, credit unions should be planning for operational changes needed to implement the Check 21 Act.

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APPLICATIONS APPROVED

Applications approved since June 30, 2004 include:

<u>Credit Union</u>	<u>Changes or Groups Added</u>
Field of Membership Change(s) Approved:	
Winkler County Credit Union (Kermit)	See Newsletter No. 06-04
Houston Postal Credit Union (Houston)	See Newsletter No. 06-04
MemberSource Credit Union (Houston) (#1 & #2)	See Newsletter No. 06-04
Pegasus Credit Union (Dallas)	See Newsletter No. 06-04

APPLICATIONS APPROVED (Continued):

Members Choice Credit Union (Houston) (#1) (Amended)

See Newsletter No. 05-04

Persons who live, work, or attend school in and businesses in the portion of Harris County, Texas that is west of Interstate Highway 45.

Field of Membership Change(s) Approved (Conditional):

Texas One Community Credit Union (Houston) (Amended)

See Newsletter No. 05-04

Persons who live, work, or attend school in and businesses in Fort Bend County, Texas and the portion of Harris County, Texas within these geographical boundaries: Beginning at the northern intersection of Interstate Highway 45 and the Harris County line; south on Interstate Highway 45 to U.S. Highway 59; south on U.S. Highway 59 to Highway 288; Highway 288 south to the Harris County line; following the Harris County line west, north and east back to the beginning point interstate Highway 45.

Field of Membership Change(s) Denied:

First Financial Community Credit Union (Brownsville)	See Newsletter No. 05-04
Members Choice Credit Union (Houston) (#2)	See Newsletter No. 05-04
Members Choice Credit Union (Houston) (#3)	See Newsletter No. 05-04
Members Choice Credit Union (Houston) (#4)	See Newsletter No. 05-04
Members Choice Credit Union (Houston) (#5)	See Newsletter No. 05-04
Members Choice Credit Union (Houston) (#6)	See Newsletter No. 05-04

Field of Membership Change(s) Withdrawn:

OmniAmerican Credit Union (Fort Worth)	See Newsletter No. 06-04
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Merger(s) or Consolidations(s) Approved:

GM&A FCU with Member Source Credit Union	See Newsletter No. 03-04
San Angelo TWC CU with Concho Valley Govt. Empl. CU	See Newsletter No. 03-04

Foreign Credit Union to Operate a Branch Office Approved:

RiverLand Credit Union (Louisiana) (The Woodlands, Texas)	See Newsletter No. 06-04
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APPLICATIONS RECEIVED

The following applications were received and published in the July 30, 2004 issue of the Texas Register.

Field of Membership Expansion(s):

EDS Credit Union (Plano) – To permit persons who work, worship, or attend school within a fifteen (15) mile radius of the EDS Credit Union's branch located at 5640 Democracy Drive, Plano, Texas, to be eligible for membership in the credit union.

Superior Credit Union (Brownwood) -- To permit persons who live in, work in, attend school in, or worship in and businesses located in Brown County, Texas, to be eligible for membership in the credit union.

Tarrant County Credit Union (Fort Worth) -- To permit individuals who live in, work in, worship in, are business entities of, or attend school in Tarrant County, Texas, to be eligible for membership in the credit union.

Medical Community Credit Union (Odessa) (#1) -- To permit persons who live in, worship in, attend school in, or work in Ector County, Texas, to be eligible for membership in the credit union.

Medical Community Credit Union (Odessa) (#2) -- To permit persons who live in, worship in, attend school in, or work in Midland County, Texas, to be eligible for membership in the credit union.

Fort Worth Community Credit Union (Bedford) -- To permit persons who live, work or attend school in Denton County, Texas, to be eligible for membership in the credit union.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Credit unions that wish to comment on any application must also complete a Notice of Protest form. The form may be obtained by contacting the Department at (512) 837-9236 or downloading the form at <http://www.tcred.state.tx.us/applications.html>. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.

Articles of Incorporation Change(s):

Superior Credit Union (Brownwood) -- The credit union is proposing to change its name to Superior Community Credit Union.

Merger(s) or Consolidation(s) Changes:

An application was received from **Tarrant Affiliated Contractors Credit Union** (Fort Worth) seeking approval to merge with **Family 1st of Texas Federal Credit Union** (Fort Worth) with the latter being the surviving credit union.

APPLICATIONS RECEIVED (Continued):

An application was received from **Resource One Credit Union** (Dallas) seeking approval to merge with **Priority One Credit Union** (Dallas) with Resource One Credit Union being the surviving credit union.

Comments or a request for a meeting by any interested party relating to an application must be submitted in writing within 30 days from the date of this publication. Any written comments must provide all information that the interested party wishes the Department to consider in evaluating the application. All information received will be weighed during consideration of the merits of an application. Comments or a request for a meeting should be addressed to the Texas Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752-1699.